

WEBER-BOX ELDER CONSERVATION DISTRICT

Financial Statements and Supplementary Data
December 31, 2005

(With Auditors' Report Thereon)

WEBER-BOX ELDER CONSERVATION DISTRICT

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Independent Auditors' Report

To the Board of Directors
Weber-Box Elder Conservation District
Ogden, Utah

We have audited the accompanying statement of net assets of Weber-Box Elder Conservation District as of December 31, 2005, and the related statement of revenue, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber-Box Elder Conservation District at December 31, 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane Christensen & Ambrose

May 24, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Weber-Box Elder Conservation District's financial performance providing an overview of the District's financial activities for the year ended December 31, 2005. Please read this discussion and analysis in conjunction with the District's financial statements which follow this section.

Overview of the Financial Statements

Weber-Box Elder Conservation District's financial statements consist of the following:

The Statement of Net Assets provides information regarding all assets of the District, such as cash, accounts receivable, prepaid items, debt service trust, investment in a water association, investment in various water companies, water rights, property and equipment, as well as the liabilities of the District, such as accounts payable, long-term debt and deferred revenue. The difference between the assets and liabilities is reported as net assets.

The Statement of Revenue, Expenses and Changes in Net Assets shows all revenue received during the year broken down by user fees, connection fees, interest income, construction fees, inclusion fees, miscellaneous revenue and impact fees. The expenses are summarized by general administrative and overhead, engineering, office salaries and expenses, assessments for water, interest and fiscal charges and depreciation. This statement also shows the net assets at the beginning of the year and at the end of the year.

The Statement of Cash Flows summarizes the flow of cash from operating activities, investment activities as well as capital and related financing activities and provides a reconciliation of operating income to the net cash provided by the operating activities.

Notes to Financial Statements provide detail information regarding organization and summary of significant accounting policies, cash, accounts receivable, investments, accounts payable, long term liabilities, permanent water rights purchased from Weber Basin Water Conservancy District, retirement plans, changes in property and equipment, risk management and adjustments to net assets.

Other Information includes an independent auditors' legal compliance report, schedule of findings and questioned costs, and the report on compliance and on internal control over financial reporting based on an audit of audit of financial statements performed in accordance with government auditing standards.

Condensed Financial Information

Statement of Net Assets

Total net assets were \$7,511,481 at the end of fiscal year 2005. Capital assets at the end of 2005 were \$13,248,412 net of depreciation. Total liabilities were \$10,553,843.

Condensed Statement of Net Assets

<u>Assets</u>	<u>FY 2005</u>
Current assets	\$ 1,084,753
Restricted assets	86,170
Investments	2,669,525
Permanent water rights in Weber Basin Water	351,900
Capital assets	13,248,412
Amounts available for debt	<u>624,564</u>
Total assets	\$18,065,324
<u>Liabilities</u>	
Current liabilities	1,467,516
Long-term liabilities	<u>9,086,327</u>
Total liabilities	\$10,553,843
<u>Net assets</u>	
Investment in capital assets – net of related debt	\$ 4,015,203
Unrestricted	<u>3,496,278</u>
Total net assets	<u>\$ 7,511,481</u>

Statement of Revenues

Total revenue increased by \$512,640 or 16.9% from 2004. User fees increased by 5.0% from 2004 from fee increases and new connections hooked up during the year.

Condensed Statement of Revenues

Revenue	<u>FY 2005</u>	<u>FY 2004</u>	<u>Net Change 2005-2004</u>
User fees	\$2,460,540	\$2,342,805	\$ 117,735
Interest Income	39,475	23,667	15,808
Service			
Connection fees	55,870	92,298	(36,428)
Construction	2,725	2,500	225
Inclusion fees	43,254	32,677	10,577
Miscellaneous	32,221	27,162	5,059
Impact fees	270,615	288,419	(17,804)
Developer Donations	<u>646,510</u>	<u>229,042</u>	<u>417,468</u>
Total	\$3,551,210	\$3,038,570	\$ 512,640

Statement of Expenses

Total expenses for 2005 were \$2,733,126 compared to total expenses for 2004 of \$3,003,027.

Condensed Statement of Expenses

Expenses	<u>FY2005</u>	<u>FY 2004</u>	<u>Net Change</u> <u>2005 - 2004</u>
General administrative overhead	\$ 225,937	\$ 207,268	\$ 18,669
Engineering expenses	140,462	119,530	20,932
Office salaries and expenses	57,076	53,909	3,167
Operations and maintenance	1,592,558	1,922,292	(329,734)
Water assessments	194,958	188,829	6,129
Interest Expense	36,733	20,152	16,581
Depreciation	<u>485,402</u>	<u>491,047</u>	<u>(5,645)</u>
Total Expenses	<u>\$2,733,126</u>	<u>\$3,003,027</u>	<u>\$ (269,901)</u>

Statement of Changes in Net Assets

Below is a condensed statement of changes in net assets for the District for 2005.

Condensed Statement of changes in net assets

Revenues	\$3,551,210
Expenses	<u>2,733,126</u>
Change in net assets	\$ 818,084
Net assets – beginning of year	6,562,690
Adjustments to net assets	<u>130,707</u>
Net assets – end of year	<u>\$7,511,481</u>

WEBER-BOX ELDER CONSERVATION DISTRICT

Statement of Net Assets

December 31, 2005

Assets

Current assets:

Cash (note 2)	\$ 205,647	
Accounts receivable (note 3)	665,509	
Prepaid items	<u>213,597</u>	
Total current assets		\$ 1,084,753

Restricted assets:

Debt service trust		86,170
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Investments (note 4):

Ogden River Water Users Association	2,520,116	
Cold Water Irrigation Company	9,235	
North Ogden Irrigation Company	42,524	
Rice Creek Irrigation Company	1,983	
Little Missouri Irrigation Company	280	
Plain City Irrigation Company	4,250	
Dinsdale Water Company	8,010	
Mountain Water Company	5,626	
Western Irrigation Company	70,921	
Bertinotti Irrigation Company	5,697	
Lynn Irrigation Company	83	
Three Mile Creek Company	<u>800</u>	
Total investments		2,669,525

Permanent water rights subscribed to in Weber Basin

Water Conservation District (note 7)		351,900
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Capital assets less accumulated depreciation of

\$5,612,886 (notes 1 and 9)		13,248,412
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Amounts available for debt

624,564

Total assets

18,065,324

Liabilities

Current liabilities:

Long-term liabilities - current portion (note 6)	533,888	
Accounts payable (note 5)	929,228	
Deferred revenue	<u>4,400</u>	
Total current liabilities		1,467,516

Long-term liabilities less current portion (note 6)

9,086,327

Total liabilities

10,553,843

Net Assets

Investment in capital assets - net of related debt	4,015,203	
Unrestricted	<u>3,496,278</u>	
Total net assets		\$ <u>7,511,481</u>

See independent auditors' report and notes to financial statements.

WEBER-BOX ELDER CONSERVATION DISTRICT

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended December 31, 2005

Income from operations:		
User fees	\$ 2,460,540	
Service connection fees	55,870	
Construction	2,725	
Inclusion fees	43,254	
Miscellaneous	32,221	
Impact fees	270,615	
Developer donations	<u>646,510</u>	
Total income from operations		\$ 3,511,735
Expenses:		
General administrative and overhead	225,937	
Engineering	140,462	
Office salaries and expenses	57,076	
Operation and maintenance	1,592,558	
Water assessments	194,958	
Depreciation	<u>485,402</u>	
Total expenses		<u>2,696,393</u>
Net income from operations		815,342
Non-operating income and expenses:		
Interest income	39,475	
Interest expense	<u>(36,733)</u>	
Net non-operating income and expenses		<u>2,742</u>
Change in net assets		818,084
Net assets - beginning of year		6,562,690
Adjustments to net assets (note 11)		<u>130,707</u>
Net assets - end of year		<u>\$ 7,511,481</u>

See independent auditors' report and notes to financial statements.

WEBER-BOX ELDER CONSERVATION DISTRICT

Statement of Cash Flows

Year Ended December 31, 2005

Cash flows from operating activities:		
Receipts from customers	\$ 2,705,934	
Payments to suppliers	(1,912,980)	
Payments to employees	<u>(379,256)</u>	
Net cash provided by operating activities		\$ 413,698
Cash flows from investing activities:		
Interest received	39,475	
Purchase of investments	<u>(1,007)</u>	
Net cash provided by investing activities		38,468
Cash flows from capital and related financing activities:		
Interest paid	(36,733)	
Purchase of capital assets	(127,920)	
Principal paid on long-term debt	<u>(164,274)</u>	
Net cash used by capital and related financial activities		<u>(328,927)</u>
Net increase in cash		123,239
Cash - beginning of year		<u>82,408</u>
Cash - end of year		<u>\$ 205,647</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Changes in net assets		\$ 818,084
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	485,402	
Interest received	(39,475)	
Interest paid	36,733	
Increase in accounts receivable	(218,161)	
Increase in prepaid items	(8,082)	
Decrease in accounts payable	(73,163)	
Increase in deferred revenue	3,200	
Loss on disposition of capital assets	55,670	
Developer donations	<u>(646,510)</u>	
Net cash provided by operating activities		<u>\$ 413,698</u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from developers		<u>\$ 646,510</u>

See independent auditors' report and notes to financial statements.

WEBER-BOX ELDER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2005

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The District is a municipal corporation organized to store and distribute irrigation water.

The District is operated jointly with Ogden River Water Users Association and South Ogden Conservation District, the joint operation of which is known as the Pine View Water System. The land, buildings and equipment are also jointly owned by the association and the two conservation districts, with related costs allocated between the three organizations. All expenses which cannot be specifically designated as belonging to one organization are generally allocated on each organization's use.

B. GASB Statement No. 40 - *Deposit and Investment Risk Disclosures*

Weber-Box Elder Conservation District has implemented GASB Statement 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. As a result, the disclosure in note 2 related to the District's deposit and investment risks have been changed.

C. Accounting Method

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements issued prior to December 1, 1989 are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Application for this criterion involves considering whether the activity benefits the government, and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

E. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

F. Capital Assets:

The water distribution system, which has been constructed by the United States Government, has been included as an asset of the District although title to the system remains with the U.S. Government.

Depreciation is recorded on capital assets using the straight-line method over their estimated useful lives.

WEBER-BOX ELDER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(1) Organization and Summary of Significant Accounting Policies - Continued

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005 were \$107,677 all of which were insured.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at December 31, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>808,704</u>	54 days*	not rated

*Weighted-average maturity

WEBER-BOX ELDER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(2) Deposits and Investments - Continued

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

Accounts receivable are user fees collected by Weber and Box Elder Treasurers during the respective year and remitted subsequent to the year end, in the amount of \$665,509.

(4) Investments

The investment in Ogden River Water Users Association represents the share of the District's interest in Pine View Dam and the Highline Canals, and is the accumulated total of the annual assessments paid to Ogden River Water Users Association by the District to cover its proportionate share of the repayment contract to the government for the construction of the original Pine View Dam and distribution system. The investment is evidenced by the original shares in the association.

The District also owns shares of water stock in various local water companies. At December 31, 2004, the District had pledged 1,240 shares of its stock in North Ogden Irrigation Company as collateral on its loan with the Utah State Division of Water Resources.

(5) Accounts Payable

Included in the accounts payable at December 31, 2005 are reimbursable expenses made by South Ogden Conservation District and Ogden River Water Users Association for Weber-Box Elder Conservation District which had not been reimbursed by the District by the end of the year.

(6) Long-Term Liabilities

During 1961 and 1962, a pressure irrigation system was constructed for part of the District. The Small Project Administration of the United States Government financed \$302,458 of the cost of the contract. Repayment is to be made over fifty years with varying yearly payments. The largest payments are to be made in the sixteenth through twenty-fifth years.

The liabilities to the State of Utah - Division of Water Resources are the balances of advances for development of unit pipelines.

The liability to Ogden River Water Users Association is the balance owing on the subscription of Class II stock.

WEBER-BOX ELDER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(6) Long-Term Liabilities - Continued

Long-term liabilities consists of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding Balance 2005</u>
Utah State Division of Water Resources - contract dated September 23, 1981	5%	3-1-2031	\$ 462,061
Utah State Division of Water Resources - contract dated August 14, 1982	5	3-1-2017	569,100
Utah State Division of Water Resources - contract dated August 13, 1987	5	3-1-2019	1,282,592
Utah State Division of Water Resources - contract dated October 26, 1990	5	3-1-2008	95,380
Utah State Division of Water Resources - contract dated December 1, 1997	5	3-1-2012	300,894
Utah State Division of Water Resources - contract dated March 1, 1999	1.2	3-1-2024	1,958,182
Water revenue refunding bonds - series 2002A	0	5-1-2021	955,000
Water revenue bonds - series 2002B	4.00 to 5.25	7-1-2020	3,610,000
Ogden River Water Users Association contract for purchase of 3,570 acre feet of water	0	12-1-2021	177,231
Weber Basin Water Conservancy District contract for purchase of 1,955 acre feet of water	0	12-1-2041	209,775
Total			<u>9,620,215</u>
Less current portion			<u>533,888</u>
Long-term debt less current portion			\$ <u>9,086,327</u>

Changes in long-term liabilities:

	<u>Balance January 1 2005</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31 2005</u>
Contracts to finance water systems	\$ 5,026,623	-	358,414	4,668,209
Contracts to purchase water	400,904	-	13,898	387,006
Water revenue bonds	<u>4,735,000</u>	-	<u>170,000</u>	<u>4,565,000</u>
Total	<u>\$10,162,527</u>	<u>-</u>	<u>542,312</u>	<u>9,620,215</u>

Minimum payments on long-term liabilities are as follows:

2006	\$ 533,888
2007	538,888
2008	507,268
2009	509,888
2010	451,949
2011-2014	1,619,446
2015-2019	2,042,540
2020-2024	1,819,440
2025-2029	457,711
2030-2034	214,325
2035-2039	214,325
2040-2044	195,365
2045-2049	185,000
2050-2054	185,000
2055-2058	<u>145,182</u>
	\$ <u>9,620,215</u>

WEBER-BOX ELDER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(6) Long-Term Liabilities - Continued

Advance Refunding:

In 2002 the District issued \$4,070,000 of program revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$3,955,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's books. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$239,866 and resulted in an economic loss of \$9,080.

(7) Weber Basin Water Conservancy District - Permanent Water Rights

Weber-Box Elder Conservation District entered into a contract during 1980 and one during 1982 to purchase water rights from Weber Basin Water Conservancy District. The two contracts are for 455 and 1,500 acre feet of water with repayment to be made over a period of sixty years. The stipulated price is \$3 per acre foot per year for both contracts.

(8) Retirement Plans

All payroll functions and contributions to retirement plans are handled by the South Ogden Conservation District, a related entity. Information pertaining to the District's retirement plans can be obtained from the annual report of the South Ogden Conservation District.

(9) Changes in Capital Assets

	Balance January 1 2005	Additions	Deletions	Balance December 31 2005
Buildings	\$ 317,910	-	-	317,910
Machinery and equipment	537,170	127,920	110,422	554,668
Water distribution system	17,342,210	646,510	-	17,988,720
Total	\$18,197,290	774,430	110,422	18,861,298

(10) Risk Management

Weber-Box Elder Conservation District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At December 31, 2005, there were no outstanding claims or judgements against the District. Settlements did not exceed insurance coverage for each of the past three years.

(11) Adjustments to Net Assets

Net assets were increased by \$130,707 which represents an increase in the investment in Ogden River Water Users Association due to the association making payments on its debt.

Independent Auditors' Legal Compliance Report

Board of Directors
Weber-Box Elder Conservation District
Ogden, Utah

We have audited the financial statements of the Weber-Box Elder Conservation District for the year ended December 31, 2005, and have issued our report thereon dated May 24, 2006. As part of our audit, we have audited Weber-Box Elder Conservation District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
Special Districts General Compliance
Impact Fees

The District received no financial assistance from the state. The management of Weber-Box Elder Conservation District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an instance of noncompliance with the requirements referred to above, which is outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instance of noncompliance mentioned above, Weber-Box Elder Conservation District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Crane Christensen + Ambrose

May 24, 2006

WEBER-BOX ELDER CONSERVATION DISTRICT

Schedule of Findings and Questioned Costs

Year Ended December 31, 2005

PROGRAM: CASH MANAGEMENT

FINDING: The District had no treasurer fidelity bond in force at December 31, 2005.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the District obtain a fidelity bond greater than the amount specified by Utah Code.

DISTRICT'S REPLY: The District is in the process of obtaining fidelity bond coverage of the required amount.



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Board of Directors
Weber-Box Elder Conservation District
Ogden, Utah

We have audited the financial statements of Weber-Box Elder Conservation District as of and for the year ended December 31, 2005, and have issued our report thereon dated May 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Weber-Box Elder Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Weber-Box Elder Conservation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and State agencies. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

May 24, 2006